



**Office of Internal Audit
Monthly Internal Control Tip**

Ensure that your area, agency, or department considers the following best practice when designing and implementing monitoring procedures.

The internal control process has five basic components: Risk Assessment; Control Environment; Control Activities; Information and Communication; and Monitoring. One of the most integral components that can be affected by all levels of staff within Louisville Metro Government is the monitoring process. Monitoring of activities and processes can lead to organizational efficiencies and reduce costs. Monitoring will help by identifying deficiencies quickly and establishing a proactive approach instead of a reactive approach. The following four steps should be considered by all staff in order to achieve organizational objectives, as well as being applicable to one's daily work.

Step 1- Prioritize Risks

All staff, agencies, and departments should have developed goals that align with the [Mayor's 5 Objective and 21 Goals](#). Risk is the chance that an event will occur with a negative effect on the ability to accomplish goals. Prioritizing risks helps identify which risks are high enough to place under controls and monitor to ensure goals are accomplished.

For more information on Risk, check out the following link: [Risks](#).

Step 2- Identify Controls

Controls are processes used to help safeguard against risks. Key controls should be identified to ensure resources are used to maximize the achievement of goals. Examples of common controls include:

- [Segregation of Duties](#)
- [Authorizations and Approvals](#)
- [Reconciliations and Reviews](#)
- [Physical Security of inventories, cash, or other assets](#)

Step 3- Identify Information

Identify the information that will support a conclusion of the effectiveness of controls identified at Step 2. An important aspect of identifying information is making sure the information is suitable for the monitor to use it and make a decision. Information should be reliable, relevant, and timely. There are two types of information, Direct and Indirect. Direct information is obtained by observing the operation or testing the operation. Indirect information is obtained by reviewing operating statistics, key performance indicators, or comparing to industry metrics.

Step 4- Implement Monitoring

Once the risks have been prioritized, controls and information identified, monitoring procedures should be put in place. Monitoring should be continuous and become part of the normal operations of staff, agencies, and departments. Monitoring provides feedback to the owners as to the effectiveness of controls and the accomplishment of goals. Continuous monitoring allows deficiencies to be identified and corrected quickly.

This tip brought to you by the Office of Internal Audit. Previous Monthly Internal Control Tips can be found on the Office of Internal Audit's webpage, located [here](#).